

VZCZCXR09906
RR RUEHPA
DE RUEHJL #0147/01 0790848
ZNY CCCCC ZZH
R 200848Z MAR 07
FM AMEMBASSY BANJUL
TO RUEHC/SECSTATE WASHDC 7408
INFO RUEHZK/ECOWAS COLLECTIVE
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOC/DEPT OF COMMERCE WASHDC
RUEHLMC/MILLENNIUM CHALLENGE CORP

C O N F I D E N T I A L SECTION 01 OF 02 BANJUL 000147

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SECSTATE PASS EXIMBANK, OPIC, AND USTDA; TREASURY FOR
OFFICE OF AFRICAN NATIONS

E.O. 12958: DECL: 03/19/2017

TAGS: ECON EAID ETRD EFIN PREL KMCA PTER IMF GA

SUBJECT: THE GAMBIA: TOUR D'HORIZON WITH FINANCE
MINISTER,CENTRAL BANK GOVERNOR

REF: BANJUL 101

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Classified By: AMBASSADOR JOSEPH STAFFORD, REASON 1.4 (B AND D)

SUMMARY

¶1. (C) Finance and Economy Minister Bala Gaye and Central Bank Governor Jatta were predictably upbeat on the GOTG's success in getting back on track with the IMF and were optimistic that The Gambia would perform satisfactorily under the new PRGF so as to qualify for debt relief as early as mid-2007. However, both officials acknowledged the need for reform of the country's troubled groundnut sector. Central Bank Governor Jatta asserted that the GOTG needed to overcome suspicions about Senegal and do more to promote economic cooperation, citing the long-delayed Gambia River bridge project. Jatta also revealed plans to establish a Financial Intelligence Unit at the Central Bank so as to strengthen the GOTG's capacity to monitor and interdict money-laundering and other illicit financial activities; he said he would approach us in due course about possible technical assistance for the Unit's capacity-building efforts. END SUMMARY.

BACK ON TRACK WITH IMF

¶2. (SBU) Ambassador and Pol/econoff recently met with Finance and Economy Minister Musa Bala Gaye and Central Bank Governor Famara Jatta for a review of economic issues. In separate meetings, the two officials were predictably upbeat on the IMF's recognition of the GOTG's progress on economic reform in deciding to implement a new Poverty Reduction and Growth Facility (PRGF) here (reftel). They made clear their satisfaction at the GOTG's success in normalizing ties with the IMF following a rupture in 2002 due in part to irregularities at the Central Bank. Bala Gaye acknowledged the need for the GOTG to maintain economic reforms and meet benchmarks under the PRGF, saying he had established a "PRGF monitoring committee," composed of officials from his and other ministries, to monitor compliance with the PRGF's terms.

PROSPECTS FOR DEBT RELIEF

¶3. (SBU) The two officials also indicated optimism about The Gambia's prospects of achieving HIPC Completion Point as early as mid-2007 so as to qualify for debt relief under

MDRI. They asserted that the GOTG was on course to comply with all HIPC "triggers" for achievement of Completion Point, with the exception of that related to privatization of the Gambian Groundnut Corporation (GGC), the parastatal operating in the country's strategic groundnut sector. Bala Gaye expressed doubt that the GOTG could move quickly enough on privatization to comply with this HIPC "trigger" this year, but stated that he expected the IMF to grant a waiver whereby the GOTG would be deemed to have registered sufficient progress to achieve Completion Point. He added that the European Union had agreed to fund a study designed to devise a viable strategy for GGC's privatization.

GROUNDNUT SECTOR'S WOES

¶4. (SBU) There was a general discussion of the troubled groundnut sector, with Bala Gaye noting that the stagnation in recent years in exports of the country's leading cash crop was continuing. He said that while the sector was no longer among leading sources of foreign exchange for the country, many Gambians -- sixty percent of rural households, he claimed -- continued to rely heavily on groundnuts for their livelihood. Central Bank Governor Jatta noted that in recent years both the private sector and GGC had had difficulty in coming up with funds to purchase an adequate supply of groundnuts for processing and export; the result was that some farmers were unable to sell their crop or were paid only after lengthy delays. Jatta remarked that farmers' plight had eased somewhat during the current harvest season, due to increased sales to Senegalese buyers. He went on to observe that the genuine solution to the sector's woes lay in getting farmers to ease their dependence on groundnuts by cultivating other varieties of cash crops, but noted that convincing them to do so would take time.

ECONOMIC RELATIONSHIP WITH SENEGAL

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¶5. (C) Central Bank Governor Jatta said he fully shared IMF's stated concern about The Gambian economy's "vulnerability to exogenous shocks" (reftel), and recalled that one such "shock" was Senegal's August/October 2005 closure of its border with The Gambia due to a bilateral dispute over transportation issues. Recalling the considerable damage caused the Gambia's economy by the action of its far more powerful neighbor, Jatta called for greater efforts by the GOTG to promote economic cooperation with Senegal. He lamented what he saw as some Gambian officials' tendency to adopt a negative posture toward such cooperation out of concern for "preserving Gambian sovereignty" toward "big brother Senegal." Jatta cited the endlessly-delayed project with the Senegalese to construct a bridge across the Gambia River as illustrative, citing Gambian footdragging on the project -- which would facilitate overland travel between northern Senegal and the southern Casamance region -- as due in no small part to a concern in some GOTG circles of "Senegalese domination" manifested in a steady stream of Senegalese transporters using the bridge. Instead of worrying about "Senegalese domination," he concluded, the GOTG should view the bridge as clearly serving Gambian economic interests and offering numerous opportunities for establishment of Senegalese/Gambian joint ventures associated with the bridge operation.

FINANCIAL INTELLIGENCE UNIT

¶6. (SBU) Jatta said that, as part of the GOTG's effort to combat money-laundering and other financial crimes, the Central Bank was working with the UN and others to establish a Financial Intelligence Unit to monitor banking transactions. Jatta said that once the Unit was operational -- by June, he hoped -- he would contact us to request

technical assistance for the Unit's capacity-building efforts.

COMMENT

17. (C) Finance Minister Bala Gaye and Central Bank Governor Jatta spearheaded the GOTG's successful effort to get back on track with the IMF, and their clear sense of satisfaction over the new PRGF -- and prospect of debt relief in 2007 -- is understandable. The two officials also made clear their recognition that reform of the country's groundnut sector is essential. Noteworthy was Jatta's implicit rebuke of his government for failing to overcome wariness toward Senegal so as to move forward on the Gambia River bridge project and economic cooperation generally. Jatta's plan to establish a Financial Intelligence Unit at the Central Bank to strengthen the GOTG's ability to monitor and crack down on illicit financial activity through banking channels is good news. We will report further as the Unit is established and will also advise of any technical assistance requests. END

COMMENT

STAFFORD